

Docket: : A.11-07-017  
Exhibit Number : DRA-1 REVISED  
Commissioner : Catherine Sandoval  
Admin. Law Judge : Richard Smith  
DRA Witness : Yoke Chan



**DRA**  
DIVISION OF RATEPAYER ADVOCATES



**DIVISION OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

## **DRA TESTIMONY**

### **EXECUTIVE SUMMARY, OVERVIEW AND POLICY, AND STEP RATE INCREASES**

### **GOLDEN STATE WATER COMPANY**

**Test Year 2013 and  
Escalation Years 2014 and 2015  
Application 11-07-017**

**For authority to increase water rates in Region I: Arden Cordova, Bay Point,  
Clearlake, Los Osos, Ojai, Santa Maria and Simi Valley  
Customer Service Areas**

San Francisco, California  
February 27, 2012 (REVISED)



1 **MEMORANDUM**

2 The Division of Ratepayer Advocates (“DRA”) of the California Public  
3 Utilities Commission (“Commission”) prepared this report presenting its analysis  
4 and recommendations in the Golden State Water Company’s (“GSWC”) general  
5 rate case (“GRC”) application A.11-07-017. In this GRC, **GSWC requests**  
6 **authorization to increase rates charged for water service by \$58,053,200 or**  
7 **21.4 % in Test Year 2013, by \$8,926,200 or 2.7% in Escalation Year 2014,**  
8 **and by \$10,819,600 or 3.2% in Escalation Year 2015 for its Regions I, II and**  
9 **III.** GSWC requests using a rate of return on equity of 10.20% and a rate of return  
10 on rate base of 8.90%. The Commission adopted these rates in Decision (“D.”)  
11 09-05-019.

12 Yoke Chan served as DRA’s project coordinator for Region I in this  
13 proceeding, and is responsible for the overall coordination of other testimony for  
14 Region I. DRA witnesses’ prepared testimony and qualifications are contained in  
15 eighteen separate exhibits.

16 DRA’s legal counsels for this case are Selina Shek and Maria Bondonno.

1

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## EXECUTIVE SUMMARY

In its Application 11-07-017, filed on July 26, 2011, GSWC requests a combined rate increase of 21.4% in Test Year 2013, 2.7% in Escalation Year 2014, and 3.2% in Escalation Year 2015 for its Region I, II and III. Specifically for Test Year 2013, GSWC requests revenue requirement increases of 24.3% for Arden Cordova, 13.7% for Bay Point, 7.6% for Clearlake, 48.7% for Los Osos, 14.7% for Ojai, 14.5% for Santa Maria and 19.9% for Simi Valley.

DRA in this report presents its analysis and recommendations that result in an estimated revenue requirement increase of ~~11.0%~~ 12.9% for Arden Cordova, ~~1.0%~~ 0.7% for Clearlake, 23.6% for Los Osos, ~~5.9%~~ 4.7% for Ojai, ~~4.8%~~ 3.3% for Santa Maria, ~~11.8%~~ 11.2% for Simi Valley and a decrease of ~~7.5%~~ 7.7% for Bay Point.

## Organization of Testimonies

<b>Exhibit Number</b>	<b>Description</b>	<b>Witness</b>
DRA - 1	Region I Executive Summary, Overview and Policy, Step Rate Increases	Yoke Chan
DRA - 2	Region I O&M Expenses, Special Requests #1, 2, 3 and 5	Jose Cabrera
DRA - 3	Region I: Utility Plants, Depreciation, Ratebase, Water Quality, and Special Request #9	Patrick Hoglund
DRA - 4	Region I Taxes Other than Income Regions I, II and III Income Taxes	Nickolay Kotyrlo
DRA - 5	Region I A&G Expenses	Josefina Montero
DRA - 6	Region I Labor Expense, Special Requests #6, 7, 8, 10 and 11	Richard Rauschmeier
DRA - 7	Regions I, II and III Customer Service	Cleason Willis
DRA - 8	Regions I, II and III Conservation Expenses	Maria Worster
DRA - 9	Regions II and III Executive Summary, Overview and Policy, Step Rate Increases	Victor Chan
DRA - 10	Regions I, II and III Sales & Revenue Forecast	Mehboob Aslam
DRA - 11	Region II Utility Plants, Depreciation, Ratebase and Water Quality	Jenny Au
DRA - 12	Region III O&M Expenses	Pat Esule
DRA - 13	Region II O&M Expenses	Eric Matsuoka
DRA - 14	Region III, Foothill and Orange County CSA Utility Plants and Water Quality	Susana Nasserie
DRA - 15	Region III, Mountain and Desert CSA Utility Plants, Region III, Depreciation and Ratebase	Brian Yu
DRA - 16	GO Expenses and Ratebase, Special Request #12 General Office Remediation	Donna Ramas Mark Dady
DRA - 17	Special Request #4 Amortization & Continuation of Balancing and Memorandum Accounts	Donna Ramas Tina Miller
DRA - 18	WRAMs/MCBAs report	Mark Dady

# CHAPTER 1: OVERVIEW AND POLICY

## A. INTRODUCTION

On July 26, 2011, Golden States Water Company (“GSWC”) filed A.11-07-017 requesting authority to increase rates charged for its water service by \$58,053,200 or 21.4 % in Test Year 2013, by \$8,926,200 or 2.7% in Escalation Year 2014, and by \$10,819,600 or 3.2% in Escalation Year 2015 for its Regions I, II and III.

GSWC estimates that its proposed increases will produce revenues providing a rate of return on equity (“ROE”) of 10.20% and a rate of return on ratebase (“ROR”) of 8.90% for the years 2013 through 2015. The Commission in D.09-05-019 authorized these rates.<sup>1</sup>

This report summarizes DRA’s analysis and recommendations on GSWC’s general rate case requests. DRA’s silence on any issue does not necessarily indicate agreement. DRA presents at the end of this chapter Tables 1-2 and 1-4 which compare GSWC’s and DRA’s Summary of Earnings (“SOE”) for Region I Test Year 2013.

## B. DISCUSSION

Table 1 below provides a comparison of GSWC’s and DRA’s estimated revenue requirement increase/decrease in Region I for Test Year 2013, both based on a 8.90% ROR (Escalation Years’ increases are discussed in Chapter 2 – Step Rate Increase).

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<sup>1</sup> 2009 Cost of Capital decision for California Service Water Company, California American Water Company and Golden State Water Company.

**Table 1 REVISED**

**Region I Test Year 2013 Revenue Requirement Increase/Decrease**

Customer Service Area		Amount of Increase/(Decrease)	Percent Increase/(Decrease)
Arden Cordova	GSWC	\$2,517,800	24.3%
	DRA	\$1,281,800	12.9%
	Difference	\$1,236,000	11.4%
Bay Point	GSWC	\$801,000	13.7%
	DRA	(\$448,700)	-7.7%
	Difference	\$1,249,700	21.4%
Clearlake	GSWC	\$157,300	7.6%
	DRA	\$15,100	0.7%
	Difference	\$142,200	6.9%
Los Osos	GSWC	\$1,479,300	48.7%
	DRA	\$716,300	23.6%
	Difference	\$763,000	25.1%
Ojai	GSWC	\$788,920	14.7%
	DRA	\$255,300	4.7%
	Difference	\$533,620	10.0%
Santa Maria	GSWC	\$1,375,900	14.5%
	DRA	\$316,400	3.3%
	Difference	\$1,059,500	11.2%
Simi Valley	GSWC	\$2,355,700	19.9%
	DRA	\$1,324,900	11.2%
	Difference	\$1,030,800	8.7%

**I. Recommendation for Affordability Study**

DRA recommends GSWC perform an affordability study and provide its results in its next GRC. The Commission has received more than 230 emails and



1 several hundred petitions protesting rate increases from customers in various  
2 GSWC Customer Service Areas (“CSA”). During the Commission’s public  
3 participation hearings (“PPH”) held in various communities within the CSAs,  
4 many customers expressed their opposition to GSWC’s proposed rate increase.  
5 Many customers expressed during the PPHs that they are on fixed incomes and  
6 would have difficulty paying their water bills given the magnitude of the rate  
7 increase and the current economic condition. In communities such as the City of  
8 Claremont, Ojai, Barstow, GSWC is being threatened with Lawsuits and Eminent  
9 Domain. DRA believes that an affordability study will allow GSWC to provide  
10 more information about its rates relative to rates of other water utilities as well as  
11 reducing the risk of its water systems being taken over by the local communities.  
12 In addition, an affordability study can be useful to evaluate and determine whether  
13 GSWC’s low-income programs are adequate, should be modified, and/or the level  
14 of subsidy changed. DRA believes that both GSWC and its ratepayers will benefit  
15 from this study; therefore, DRA recommends that the cost of the affordability  
16 study be shared equally between GSWC’s shareholders and its ratepayers. If the  
17 Commission grants DRA’s recommendation, the Commission should also require  
18 GSWC to:

- 19 • Work with DRA in developing the scope and parameters of the study  
20 before the contract is put out to bid.
- 21 • Keep DRA informed of the progress of the study and any changes to  
22 the scope of work.
- 23 • Share with DRA a draft of the study before it is finalized.

## 24 **II. Key Recommendations for Region I**

25

26 The differences between DRA’s and GSWC’s revenue requirement  
27 increase estimates are due to DRA’s adjustments in expenses, taxes, capital  
28 budgets and ratebase. Some of DRA’s key recommendations are listed below:

- 1 1. Both DRA and GSWC use the last authorized rate of return of 8.90% in its  
2 SOE but recommends the rate of return from the final decision on A.11-05-004  
3 (Cost of Capital proceeding) be used when it becomes available in determining  
4 the final adopted revenue requirements.
- 5 2. DRA recommends that the findings from Decision D.11-12-034 be  
6 incorporated in the final decision for this proceeding. D.11-12-034 orders  
7 GSWC to refund \$9,500,000 and reduce the rate base by \$2,500,000 within 30  
8 days from December 15, 2011. The refunds and ratebase reductions are not  
9 included in DRA's SOEs. The refunds and the ratebase reductions from  
10 D. 11-12-034 are illustrated in Tables 2 and 3 below.

11 **Table 2**

Golden State Ratemaking Service Areas Refunds over 12 - 36 Months	
1. Arden-Cordova	\$ 3,578,522
2. Bay Point	\$ 1,556,435
3. Clearlake	\$ 1,437,211
4. Los Osos	\$ 33,983
5. Ojai	\$ 986,463
6. Santa Maria	\$ 192,566
7. Simi Valley	\$ 993,167
8. Region 2	\$322,325
9. Region 3	\$ 399,328
Total	<b>\$9,500,000</b>

12

1

**Table 3**

Golden State Ratemaking Service Areas Rate Base Reductions	
1. Arden-Cordova	\$ 1,241,460
2. Bay Point	\$ 299,587
3. Clearlake	\$ 266,684
4. Los Osos	\$ 17,841
5. Ojai	\$ 250,651
6. Santa Maria	\$ 98,265
7. Simi Valley	\$ 267,457
8. Region 3	\$ 58,055
Total	<b>\$2,500,000</b>

2

3 3. D.11-12-034 orders GSWC to reduce the balance of the existing Arden  
4 Cordova Memorandum Account by \$500,000 and proportionately reduce the  
5 amortization rate for the account. DRA has reflected this reduction in its  
6 recommendation. (See Richard Rauschmeier's testimony, Special Request #8,  
7 Chapter 4)

8 4. In D.11-09-017 the Commission adopted the ratemaking treatment for the  
9 abandoned Hill Street Treatment facility and GSWC's updated workpapers  
10 reflect this adjustment. DRA incorporates the updated Utility Plant in Service  
11 balances in its estimate and DRA's 2011 balance is reduced by \$3,073,500  
12 (See Patrick Hoglund's testimony, chapter 2, ratebase).

13 5. DRA recommends that the Commission adopt DRA's results of operations for  
14 GSWC which are based on *lower* estimates for O&M expenses, A&G  
15 expenses, taxes, plant additions and ratebase. Some of DRA's key adjustments  
16 are:

17 a. Sales: Higher estimate of residential customers in Arden Cordova. (See  
18 Mehboob Aslam's testimony, Chapter 1) and imputed ground water and

- 1 purchased water from additional ground water supplies (See Patrick  
2 Hoglund's testimony, chapter 1, new water supply)
- 3 b. O&M expenses: Disallowance of Automatic Vehicle Locating System  
4 ("AVLS") program and uncollectible rate adjustment. (See Jose  
5 Cabrera's testimony)
- 6 c. A&G expenses: Adjustments in office supplies and expenses, outside  
7 services, rent, miscellaneous and other maintenance of general plants.  
8 (See Josefina Montero's testimony)
- 9 d. Labor expenses: Disallowance of customer growth factor and 1% merit  
10 pay increase. (See Richard Rauschmeier's testimony, Chapter 1)
- 11 e. Taxes: Use of prior year CCFT as a deduction for Federal Income Tax  
12 and inclusion of Domestic Production Activities Deduction ( "DPAD")  
13 in federal income taxes calculation (See Nickolay Kotyrlo's testimony,  
14 Chapter 2)
- 15 f. Plant Investment and Rate Base: Disallowance and /or reduction of  
16 certain pipeline replacements, utility plants which are out of service for  
17 more than nine months, SCADA, miscellaneous street improvements,  
18 new business funded by GSWC. DRA also recommends a reduction in  
19 contingency rate, elimination of escalation in blanket budget forecast  
20 and exclusion of WRAM lag days in working cash calculation. (See  
21 Patrick Hoglund's testimony)
- 22 6. DRA recommends the Commission approve the ratemaking treatment related  
23 to the Hill Street Water Treatment Facility in Bay Point CSA and has reflected  
24 a line item adjustment of \$137,000 to the revenue requirement. (See Richard  
25 Rauschmeier's testimony Chapter 6 and attached Table 1-2 Summary of  
26 Earnings)

- 1 7. DRA recommends that the Commission adopt DRA's estimates for GSWC  
2 General Office expenses and rate base and the allocation of those components  
3 to its three regions. (See Donna Ramas and Mark Dady's testimony.)
- 4 8. DRA recommends that the Commission allow GSWC to continue to track its  
5 conservation expenses for all of its CSAs in a capped One-Way Balancing  
6 Account for this GRC cycle. (See Maria Worster's testimony.)
- 7 9. DRA does not oppose GSWC's proposal to (1) modify the tier breakpoints and  
8 price differential to be consistent in the methodology used in designing tiered  
9 rates for other Region 1 CSAs and (2) keep Arden Cordova CSA current  
10 residential tier rate structure. (See Mehboob Aslam's testimony.)
- 11 10. DRA recommends phasing in DRA's proposed revenue increase of 30% over  
12 three years for Los Osos CSA to mitigate the rate shock during continued  
13 effects of the economic downturn. Also Los Osos just recently had a 26.1%  
14 increase in the last GSWC rate case authorizing new rates for Test Year 2011.  
15 DRA notes its recommendation deferring a new Edna well (\$2.2 million)  
16 which is 30% of 2012 and 66% of the 2013 total capital investment  
17 respectively in Los Osos. GSWC explained in its application that one of the  
18 primary cost increases is due to reduced water sales. GSWC's forecasted sales  
19 for 2013 are 22.8% lower than the adopted sales for 2011 <sup>2</sup>. DRA agreed with  
20 GSWC's sales forecast, and this is also a primary reason for DRA's estimated  
21 rate increase for Test Year 2013.

### 22 **III. Recommendations for Special Requests**

23 Table 4 summarizes GSWC's Special Requests and DRA's  
24 recommendations. Each Special Request is discussed in detail in DRA's

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<sup>2</sup> Page 10 of GSWC's application.

- 1 testimonies. DRA recommends that the Commission adopt its recommendations
- 2 as presented therein.

1  
2

**Table 4**  
**Summary of GSWC's Special Requests and DRA's Recommendations**

DRA Exhibit Number	GSWC's Special Request	DRA Witness	DRA's Recommendations
DRA - 2	1. Santa Maria Adjudication Settlement Approval	Jose Cabrera	File application if voters do not approve special assessment tax or file an advice letter for O&M costs if voters approve
DRA - 2	2. Additional Fire Sprinkler combinations	Jose Cabrera	Allow
DRA - 2	3. New Memorandum Accounts for Orangethorpe Plant in Region 3	Jose Cabrera	Allow with condition
DRA - 17	4. Amortization and Continuation Balancing and Memorandum Accounts	Donna Ramas Tina Miller	See Table 5 below
DRA - 2	5. Balancing Account for Group Medical Insurance Costs	Jose Cabrera	Disallow
DRA - 6	6. Increase in Meter Testing Deposit	Richard Rauschmeier	Allow
DRA - 6	7. Chemicals included in MCBA	Richard Rauschmeier	Disallow
DRA - 6	8. Water Litigation Memorandum Account Surcharge	Richard Rauschmeier	Allow
DRA - 3	9. Update for Advice Letter Projects	Patrick Hoglund	Allow
DRA - 6	10. Inclusion of Flat Rate customers in Arden Cordova WRAM	Richard Rauschmeier	Disallow
DRA - 6	11. Inclusion of Bay Point ratemaking Treatment of Asset Lease Agreement	Richard Rauschmeier	Allow
DRA - 16	12. General Office Remediation	Donna Ramas Mark Dady	Allow with condition

3

**Table 5 – SPECIAL REQUEST #4**

Item #	Description	Account No(s)	GSWC Balance 5/31/11	GSWC Balance 9/30/11	DRA	Difference	DRA	GSWC
1	OEEPMA	W.00025679, 80	\$ 2,800	\$ 2,763	\$ 2,763	\$ -	A/C	A/C
2	CARWBA R1	1760.15	\$ (676,431)	\$ (407,146)	\$ (407,146)	\$ -	Continue	Continue
3	CEOWBA R1	N/A	TBD	TBD	N/A	N/A	Continue thru 12/2012	Continue
4	Aerojet	2.1670.24	\$ 18,469,300	TBD	\$ 17,969,300	\$ 500,000	Continue	Continue
5	BPWQMA	22817	\$ 77,628	\$ 77,628	\$ 77,628	\$ -	A/C	A/C
6	RIRCMA	N/A	\$ -	\$ -	\$ -	\$ -	Close	Close
7	RBBA	1670.39	TBD	\$ 4,889,102	\$ 4,889,102	\$ -	Continue	Continue
8	LOAMA	16666	\$ 713,679	\$ 770,391	\$ 180,317	\$ (590,074)	Continue thru 12/2012	Continue
9	LOISJMA	23272	\$ 68,946	\$ 77,166	\$ 77,166	\$ -	Continue	Continue
10	SMSRPMA	18114	\$ 43,594	\$ 44,728	\$ 44,728	\$ -	Continue	Continue
11	SMSMA	21802	\$ 665,597	\$ 868,722	\$ 868,722	\$ -	A/C	Close
12	SMWRBA	100.1652.05, 06	\$ 1,996,848	\$ 1,901,081	\$ 1,901,081	\$ -	Continue	Continue
13	SMWRMA	18576	\$ 1,799,214	\$ 1,796,805	\$ 1,796,805	\$ -	Continue	Continue
14	SIMCRIMA	24559	\$ 599,555	\$ 8,195	\$ -	\$ (8,195)	Close	Close
15	CARW BA R2	1760.15	\$ 2,907,854	\$ 3,200,828	\$ 3,200,828	\$ -	Continue	Continue
16	OCCSSMA	25888	\$ 28,102	\$ 36,708	\$ 36,708	\$ -	Continue	Continue
17	OSMA	200.1651	\$ 680,183	\$ 574,035	\$ 574,035	\$ -	Continue	Continue
18	CEOWBA R2	N/A	TBD	TBD	N/A	N/A	Continue thru 12/2012	Continue
19	MEMCRIMA	24560	\$ -	\$ (1,789)	\$ (1,789)	\$ -	Close	Close
20	BWAMA	25995	\$ 16,661	\$ 35,490	\$ 35,490	\$ -	Continue	Continue
21	CPMA	N/A	TBD	\$ 348,716	\$ 348,716	\$ -	Continue [2]	Continue
22	CARW BA R3	1760.15	\$ 2,080,982	\$ 2,228,614	\$ 2,228,614	\$ -	Continue	Continue
23	CEMA-BWA		\$ 661,070	\$ 660,560	\$ 660,560	\$ -	Close	Close
24	OCAMA	300.1650.11	\$ 141,246	\$ 94,760	\$ 94,760	\$ -	A/C	Continue
25	R3MCRIMA	24561	\$ 2,206,628	\$ 449	\$ -	\$ (449)	Close	Close
26	CEOWBA R3	N/A	TBD	TBD	N/A	N/A	Continue thru 12/2012	Continue
27	COTBA	N/A	TBD	\$ 116,033	\$ 116,033	\$ -	Continue thru 12/2012	Continue
28	COSMA	N/A	TBD	TBD	N/A	N/A	A/C	Continue
29	GOMMA	26624, 1670.38	\$ 962,446	\$ 1,951,432	\$ -	\$ 1,951,432	Close [3]	A/C
30	GRCMA		\$ 160,737	\$ 462,845	\$ 8,235	\$ (454,610)	Close	Continue
31	MFRPMA	21754	\$ 5,186	\$ 5,186	\$ 5,186	\$ -	Close	Close
32	OTSCMA		TBD	TBD	N/A	N/A	A/C	Continue
33	PBBA	2.1670.301	\$ 1,825,097	\$ 2,207,637	\$ 1,621,064	\$ (586,573)	Continue thru 12/2012	Continue
34	PRVMA		TBD	\$ -	\$ -	\$ -	Close	Continue
35	TIRBA		\$ (432,815)	\$ -	\$ -	\$ -	Close	A/C
36	WSBA	25942	TBD	\$ 12,999	\$ 12,999	\$ -	A/C	Continue
37	COIIMA	20331, 25512, 25513	\$ 610,082	\$ 734,926	\$ 734,926	\$ -	Continue [1]	Continue
38	WCMA		\$ -	\$ -	\$ -	\$ -	Close	Close

**Notes**

A/C- Amortize &amp; Close

[1] Keep open until the Conservation OII proceeding is concluded.

[2] Keep open until the balance is amortized, then the account should be closed.

[3] A balancing account is no longer needed for this item as DRA recommends that the GO remediation costs be capitalized and included in rate base



1 **IV. Other Recommendations Corresponding to Issues listed in ALJ Scoping**  
2 **Memo (page 13 and 14)**

- 3
- 4 1. Issue # 2m: DRA recommends GSWC's request of including purchased water  
5 expenses in the four-factor allocation methodology be disallowed. (See Donna  
6 Ramas and Mark Dady's testimony Chapter 2, pages 2-9 and 2-10)
- 7 2. Issue # 2n: DRA recommends the pension costs in the test year and escalation  
8 years be based on the Statement of Financial Accounting Standards No. 87  
9 calculation for pension contributions. (See Donna Ramas and Mark Dady's  
10 testimony, DRA-16, Chapter 3, section h.)
- 11 3. Issue # 3: DRA recommends O&M costs be approved for the proposed  
12 fluoridation systems in connection with the First 5 LA Oral Health Community  
13 Development Program for the period from 2013 to 2015. (See Eric Matsuoka's  
14 testimony, DRA-16, Chapter 1)
- 15 4. Issue # 4: DRA reviews and finds GSWC's rate design reasonable. (See  
16 Mehboob Aslam's testimony, Chapter 1)
- 17 5. Issues # 5 a, b, and c: DRA reviews and finds (a) further investigation is  
18 needed to determine if WRAMs/MCBAs are achieving their stated purpose, (b)  
19 it appears disincentives to implement conservation rates and conservation  
20 programs have been removed, however, the role of WRAMs/MCBAs is  
21 unclear and disincentives for customers to conserve may not have been  
22 removed, (c) when there are cost savings, they are passed on, but conservation  
23 has not always resulted in cost savings. (See Mark Dady's testimony, DRA-  
24 18, Chapter 3 conclusion)
- 25 6. Issue # 5 d: DRA agrees with GSWC that overall consumption has been  
26 reduced. (Mehboob Aslam's testimony, Chapter 1)

27 **V. Table Required by ALJ's Scoping Memo for item 16 - Prepared**  
28 **Testimony**

29

30 For Region I, DRA's tables with (a) Sequential number of  
31 recommendation, (b) Short caption of recommendation, (c) Monetary impact, (d)

Exhibit(s) page citation(s) for the primary discussion of the recommendation and (e) Exhibit(s) page citation(s) for the primary presentation of the monetary impact are attached in Appendix A of this report.

#### **VI. Customer Notices**

GSWC's customer notices presented the proposed percentage rate increase using two methods presented in two tables on pages 2 and 3 of the Application 11-07-017. The difference between these two methods is most pronounced for the Los Osos CSA, where the two methods yield 22.10% and 48.7%, respectively. Using the first method, GSWC calculated the percentage increase in revenue requirements relative to adopted 2011 revenue requirements. For the second method, GSWC calculated the percentage increase relative to revenues at present rates during the 2013 test year.

GSWC correctly applied the second method in the caption of its application and in its bill comparisons in Chapter 5 of GSWC's Results of Operations Reports. However, the customer notices emphasized the percentage increase using the first method, and also provided the percentage increase using the second method in smaller font below. At the Public Participation Hearings, customers expressed confusion about this difference.<sup>3</sup>

In GSWC's next GRC, it should clearly present the rate increase using the second method described above in its customer notices, consistent with its presentation of bill impacts and Results of Operations Reports. This will ensure customers are accurately informed about the rate increase and reduce customer confusion.

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<sup>3</sup> Reporter's Transcript, Volume 4, Los Osos, California, December 2, 2011, p. 172, lines 1 – 9, p. 189, lines 1 – 9, p. 285, lines 22 -28

1           **C. CONCLUSION**

2           DRA recommends the Commission adopt DRA's Test Year 2013 and  
3   Escalation Year 2014 Results of Operations, presented in Table 1-2 and Table 1-4  
4   respectively at the end of this chapter for each CSA in Region I.

TABLE 1-2 REVISED  
GOLDEN STATE WATER COMPANY  
ARDEN CORDOVA

SUMMARY OF EARNINGS

TEST YEAR            2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	11,217.7	12,887.3	1,669.6	14.9%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,196.9	2,480.1	283.2	12.9%
Administrative & General	751.5	787.5	36.0	4.8%
Payroll	867.5	910.0	42.5	4.9%
G. O. Prorated Exp.	2,897.5	3,412.7	515.2	17.8%
Dep'n & Amortization	1,977.2	2,015.6	38.4	1.9%
Taxes other than income	600.0	620.3	20.3	3.4%
State Corp. Franchise Tax	149.8	296.0	146.2	97.6%
Federal Income Tax	477.7	759.0	281.3	58.9%
Total Operating Expense	9,918.1	11,281.4	1,363.4	13.7%
Net Operating Revenue	1,299.6	1,605.9	306.2	23.6%
Rate Base	14,602.8	18,043.7	3,440.9	23.6%
Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

TABLE 1-4 REVISED  
GOLDEN STATE WATER COMPANY  
ARDEN CORDOVA

SUMMARY OF EARNINGS

ESCALATION YEAR                      2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	11,382.5	13,153.6	1,771.1	15.6%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,151.7	2,399.5	247.8	11.5%
Administrative & General	779.8	830.5	50.7	6.5%
Payroll	884.9	937.7	52.8	6.0%
G. O. Prorated Exp.	2,973.3	3,515.9	542.6	18.2%
Dep'n & Amortization	2,019.9	2,100.9	81.0	4.0%
Taxes other than income	608.4	636.0	27.7	4.5%
State Corp. Franchise Tax	153.0	300.8	147.8	96.6%
Federal Income Tax	486.3	686.7	200.4	41.2%
Total Operating Expense	10,057.2	11,408.1	1,350.9	13.4%
Net Operating Revenue	1,325.3	1,745.5	420.2	31.7%
Rate Base	14,890.9	19,611.8	4,720.9	31.7%
Return on Rate Base	8.90%	8.90%	0.00	0.0%

TABLE 1-2 REVISED  
GOLDEN STATE WATER COMPANY  
BAY POINT

SUMMARY OF EARNINGS

TEST YEAR            2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	5,403.0	6,651.2	1,248.3	23.1%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,381.8	2,423.1	41.3	1.7%
Administrative & General	313.0	320.3	7.3	2.3%
Payroll	334.0	343.3	9.3	2.8%
G. O. Prorated Exp.	632.3	744.7	112.4	17.8%
Dep'n & Amortization	626.3	705.9	79.6	12.7%
Taxes other than income	204.7	233.4	28.7	14.0%
State Corp. Franchise Tax	56.8	145.8	88.9	156.4%
Federal Income Tax	199.7	476.5	276.8	138.6%
Special Request #11 Adjustment	(137.0)	0.0	137.0	-100.0%
Total Operating Expense	4,611.7	5,393.1	781.3	16.9%
Net Operating Revenue	791.2	1,258.1	466.8	59.0%
Rate Base	8,890.4	14,136.2	5,245.8	59.0%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

## TABLE 1-4 REVISED

GOLDEN STATE WATER COMPANY  
BAY POINT

## SUMMARY OF EARNINGS

ESCALATION YEAR 2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	5,686.5	6,707.6	1,021.1	18.0%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,335.3	2,377.6	42.2	1.8%
Administrative & General	323.6	337.0	13.4	4.1%
Payroll	340.8	350.5	9.7	2.8%
G. O. Prorated Exp.	648.9	767.3	118.4	18.2%
Dep'n & Amortization	641.6	731.2	89.6	14.0%
Taxes other than income	211.2	238.8	27.7	13.1%
State Corp. Franchise Tax	80.9	147.0	66.1	81.7%
Federal Income Tax	303.2	453.7	150.5	49.6%
Total Operating Expense	4,885.5	5,403.0	517.5	10.6%
Net Operating Revenue	801.0	1,304.5	503.5	62.9%
Rate Base	8,999.8	14,657.4	5,657.7	62.9%
1 Return on Rate Base	8.90%	8.90%	0.00	0.0%

## TABLE 1-2 REVISED

GOLDEN STATE WATER COMPANY  
CLEARLAKE

## SUMMARY OF EARNINGS

TEST YEAR 2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	2,074.0	2,216.1	142.1	6.8%
<u>Operating Expenses:</u>				
Operation & Maintenance	303.7	343.7	40.0	13.2%
Administrative & General	234.3	237.6	3.3	1.4%
Payroll	358.8	379.2	20.4	5.7%
G. O. Prorated Exp.	212.6	249.9	37.3	17.5%
Dep'n & Amortization	238.2	239.2	1.0	0.4%
Taxes other than income	70.4	70.7	0.3	0.4%
State Corp. Franchise Tax	43.2	53.1	9.9	22.9%
Federal Income Tax	163.3	178.8	15.5	9.5%
Total Operating Expense	1,624.5	1,752.3	127.8	7.9%
Net Operating Revenue	449.5	463.8	14.3	3.2%
Rate Base	5,050.7	5,211.5	160.8	3.2%
Return on Rate Base	8.90%	8.90%	0.0	0.0%

1



TABLE 1-4 REVISED  
GOLDEN STATE WATER COMPANY  
CLEARLAKE

SUMMARY OF EARNINGS

ESCALATION YEAR                      2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	2,118.2	2,302.2	184.0	8.7%
<u>Operating Expenses:</u>				
Operation & Maintenance	312.6	354.5	41.9	13.4%
Administrative & General	242.5	250.6	8.1	3.3%
Payroll	366.0	388.2	22.2	6.1%
G. O. Prorated Exp.	217.5	257.5	40.0	18.4%
Dep'n & Amortization	243.2	248.8	5.6	2.3%
Taxes other than income	72.0	73.0	1.0	1.4%
State Corp. Franchise Tax	43.7	55.3	11.6	26.4%
Federal Income Tax	164.0	181.8	17.8	10.9%
Total Operating Expense	1,661.6	1,809.7	148.0	8.9%
Net Operating Revenue	456.5	492.6	36.1	7.9%
Rate Base	5,129.7	5,534.3	404.6	7.9%
1 Return on Rate Base	8.90%	8.90%	0.0	0.0%

## TABLE 1-2 REVISED

GOLDEN STATE WATER COMPANY  
LOS OSOS

## SUMMARY OF EARNINGS

TEST YEAR 2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	3,757.0	4,519.2	762.2	20.3%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,041.7	1,053.4	11.7	1.1%
Administrative & General	260.4	267.5	7.1	2.7%
Payroll	360.8	424.6	63.8	17.7%
G. O. Prorated Exp.	382.4	446.0	63.6	16.6%
Dep'n & Amortization	526.5	572.2	45.7	8.7%
Taxes other than income	125.3	132.3	7.0	5.6%
State Corp. Franchise Tax	68.8	119.7	51.0	74.1%
Federal Income Tax	234.7	437.4	202.7	86.4%
Total Operating Expense	3,000.6	3,453.0	452.5	15.1%
Net Operating Revenue	756.4	1,066.2	309.7	40.9%
Rate Base	8,499.4	11,979.3	3,479.9	40.9%
1 Return on Rate Base	8.90%	8.90%	0.00	0.0%

TABLE 1-4 REVISED  
GOLDEN STATE WATER COMPANY  
LOS OSOS

SUMMARY OF EARNINGS

ESCALATION YEAR                      2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	3,828.9	4,771.5	942.6	24.6%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,074.9	1,087.2	12.3	1.1%
Administrative & General	269.2	283.1	13.9	5.2%
Payroll	368.1	433.3	65.2	17.7%
G. O. Prorated Exp.	393.0	459.5	66.5	16.9%
Dep'n & Amortization	543.1	657.1	114.0	21.0%
Taxes other than income	128.5	145.7	17.2	13.4%
State Corp. Franchise Tax	68.4	123.3	54.8	80.1%
Federal Income Tax	234.8	404.4	169.6	72.2%
Total Operating Expense	3,080.0	3,593.6	513.6	16.7%
Net Operating Revenue	748.9	1,177.9	429.0	57.3%
Rate Base	8,414.2	13,235.0	4,820.8	57.3%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

TABLE 1-2 REVISED  
GOLDEN STATE WATER COMPANY  
OJAI

SUMMARY OF EARNINGS

TEST YEAR            2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	5,637.8	6,171.9	534.2	9.5%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,337.7	1,368.7	30.9	2.3%
Administrative & General	321.7	334.4	12.7	3.9%
Payroll	474.3	503.3	29.0	6.1%
G. O. Prorated Exp.	481.8	561.7	79.9	16.6%
Dep'n & Amortization	808.5	821.1	12.6	1.6%
Taxes other than income	215.8	223.4	7.6	3.5%
State Corp. Franchise Tax	127.1	168.5	41.4	32.6%
Federal Income Tax	435.1	575.7	140.6	32.3%
Total Operating Expense	4,202.0	4,556.8	354.8	8.4%
Net Operating Revenue	1,435.8	1,615.1	179.3	12.5%
Rate Base	16,132.3	18,146.9	2,014.5	12.5%
1 Return on Rate Base	8.90%	8.90%	0.00	0.0%

TABLE 1-4 REVISED  
GOLDEN STATE WATER COMPANY  
OJAI

SUMMARY OF EARNINGS

ESCALATION YEAR                      2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	5,711.6	6,475.5	763.9	13.4%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,360.2	1,392.7	32.5	2.4%
Administrative & General	332.8	351.7	18.9	5.7%
Payroll	483.8	515.2	31.4	6.5%
G. O. Prorated Exp.	494.8	578.7	83.9	17.0%
Dep'n & Amortization	819.4	863.4	44.0	5.4%
Taxes other than income	220.3	234.6	14.3	6.5%
State Corp. Franchise Tax	127.4	179.4	52.0	40.8%
Federal Income Tax	435.2	592.4	157.2	36.1%
Total Operating Expense	4,273.9	4,708.0	434.2	10.2%
Net Operating Revenue	1,437.7	1,767.5	329.7	22.9%
Rate Base	16,154.2	19,859.4	3,705.1	22.9%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

## TABLE 1-2 REVISED

GOLDEN STATE WATER COMPANY  
SANTA MARIA

## SUMMARY OF EARNINGS

TEST YEAR 2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	9,822.8	10,886.3	1,063.5	10.8%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,551.7	2,632.0	80.3	3.1%
Administrative & General	611.9	625.6	13.7	2.2%
Payroll	778.6	860.9	82.3	10.6%
G. O. Prorated Exp.	1,661.1	1,934.3	273.2	16.4%
Dep'n & Amortization	1,127.6	1,142.3	14.7	1.3%
Taxes other than income	235.0	236.9	1.9	0.8%
State Corp. Franchise Tax	195.1	291.2	96.1	49.3%
Federal Income Tax	673.7	909.3	235.6	35.0%
Total Operating Expense	7,834.7	8,632.4	797.7	10.2%
Net Operating Revenue	1,988.1	2,253.8	265.7	13.4%
Rate Base	22,338.1	25,324.0	2,985.9	13.4%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

## TABLE 1-4 REVISED

GOLDEN STATE WATER COMPANY  
SANTA MARIA

## SUMMARY OF EARNINGS

ESCALATION YEAR 2014

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	10,276.7	11,490.7	1,214.0	11.8%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,616.4	2,701.5	85.1	3.3%
Administrative & General	633.2	659.5	26.3	4.2%
Payroll	794.2	883.6	89.4	11.3%
G. O. Prorated Exp.	1,704.0	1,992.8	288.8	16.9%
Dep'n & Amortization	1,182.4	1,228.3	45.9	3.9%
Taxes other than income	243.1	248.7	5.6	2.3%
State Corp. Franchise Tax	210.7	311.7	100.9	47.9%
Federal Income Tax	726.9	940.1	213.2	29.3%
Total Operating Expense	8,110.9	8,966.1	855.3	10.5%
Net Operating Revenue	2,165.9	2,524.6	358.7	16.6%
Rate Base	24,335.6	28,366.3	4,030.7	16.6%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

## TABLE 1-2 REVISED

GOLDEN STATE WATER COMPANY  
SIMI VALLEY

## SUMMARY OF EARNINGS

TEST YEAR 2013

(AT PROPOSED RATES)

Item	DRA Proposed Rates	GSWC Proposed Rates	GSWC exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	13,144.0	14,174.5	1,030.5	7.8%
<u>Operating Expenses:</u>				
Operation & Maintenance	8,328.7	8,402.0	73.3	0.9%
Administrative & General	342.1	358.4	16.3	4.8%
Payroll	467.3	488.0	20.7	4.4%
G. O. Prorated Exp.	1,807.3	2,103.0	295.7	16.4%
Dep'n & Amortization	615.3	628.0	12.7	2.1%
Taxes other than income	335.4	351.8	16.4	4.9%
State Corp. Franchise Tax	99.9	198.6	98.7	98.8%
Federal Income Tax	359.4	561.7	202.3	56.3%
Total Operating Expense	12,355.5	13,091.3	735.7	6.0%
Net Operating Revenue	788.5	1,083.2	294.8	37.4%
Rate Base	8,859.0	12,170.5	3,311.5	37.4%
1 Return on Rate Base	8.90%	8.90%	0.00	0.0%



## TABLE 1-4 REVISED

GOLDEN STATE WATER COMPANY  
SIMI VALLEY

## SUMMARY OF EARNINGS

ESCALATION YEAR 2014

(AT PROPOSED RATES)

Item	DRA	GSWC	GSWC	
	Proposed Rates	Proposed Rates	exceeds DRA Amount	%
(Thousands of \$)				
Operating Revenues	13,194.1	14,228.8	1,034.7	7.8%
<u>Operating Expenses:</u>				
Operation & Maintenance	8,344.2	8,420.2	76.1	0.9%
Administrative & General	353.5	378.2	24.7	7.0%
Payroll	476.7	497.7	21.0	4.4%
G. O. Prorated Exp.	1,854.8	2,166.6	311.8	16.8%
Dep'n & Amortization	624.5	654.9	30.4	4.9%
Taxes other than income	338.6	358.3	19.7	5.8%
State Corp. Franchise Tax	97.4	192.0	94.6	97.1%
Federal Income Tax	343.2	454.9	111.7	32.5%
Total Operating Expense	12,432.9	13,122.8	690.0	5.5%
Net Operating Revenue	761.2	1,105.9	344.6	45.3%
Rate Base	8,553.1	12,426.0	3,872.9	45.3%
1 Return on Rate Base	8.90%	8.90%	(0.00)	0.0%

## CHAPTER 2: STEP RATE INCREASE

### A. FIRST ESCALATION YEAR

As specified in the Rate Case Plan, the Commission should authorize GSWC to file its Escalation Years 1 and 2 rate increase requests by Tier 1 advice letter no later than 45 days prior to the first of the escalation year.<sup>4</sup> The advice letter filing should include all calculations and documentation necessary to support the requested rate change.<sup>5</sup> The requested rate increase should be subject to the pro forma earnings test, as specified in D.04-06-018.<sup>6 7</sup>

The Commission's Water Division and Audits ("DWA") should review the requested step rates to determine their conformity with the decision in this GRC, and the rates should go into effect upon DWA's determination of compliance. DWA should inform the Commission if it finds that the proposed rates are not in accord with the GRC decision. The Commission may then modify the increase. The effective date of the revised tariff schedule should be no earlier than January 1, 2014. The revised schedules should apply to service rendered on and after their effective date. Should a rate decrease be in order, the rates should become effective on the filing date.

### B. SECOND ESCALATION YEAR

For the second year, the Commission should grant an attrition adjustment for the revenue requirement increases attributable to the expense increases due to inflation and rate base increases that are not offset by the increases in revenues.

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<sup>4</sup> D.07-05-062, Appendix A, page 19.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> D.04-06-018 on page 14 states: "The escalation year increase shall be decreased to the extent the pro-forma rate of return exceeds the authorized rate of return for the 12-months ending in  
(continued on next page)

1           **C. ESCALATION YEARS' REVENUE REQUIREMENTS**

2           Tables 10-1 show the Summaries of Earnings for Escalation Years 2014  
3   and 2015 for each CSA in Region I. To obtain the increases in these years,  
4   D.04-06-018 and D.07-05-062 require water utilities to file an Advice Letter 45  
5   days prior to the start of the year showing all calculations supporting their  
6   requested increases.

7           The revenues shown in Tables 10-1 are for illustrative purposes and the  
8   actual increases would be authorized only after approval of the utility's advice  
9   letter.

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(continued from previous page)  
September for January filers and in April for July filers prior to the escalation year.”

TABLE 10-1 REVISED  
GOLDEN STATE WATER COMPANY  
ARDEN CORDOVA

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	11,382.5	11,663.7	281.2	2.47%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,151.7	2,207.7	55.9	2.60%
Administrative & General	779.8	800.1	20.3	2.60%
Payroll	884.9	901.7	16.8	1.90%
G. O. Prorated Exp.	2,973.3	3,050.6	77.3	2.60%
Dep'n & Amortization	2,019.9	2,072.4	52.5	2.60%
Taxes other than income	608.4	624.2	15.8	2.60%
State Corp. Franchise Tax	153.0	156.8	3.8	2.46%
Federal Income Tax	486.3	499.4	13.1	2.70%
Total Operating Expense	10,057.2	10,312.8	255.6	2.54%
Net Operating Revenue	1,325.3	1,350.9	25.6	1.93%
Rate Base	14,890.9	15,178.9	288.1	1.93%
Return on Rate Base	8.90%	8.90%	0.0	0.0%

REVISED 2/27/2012

TABLE 10-1 REVISED  
GOLDEN STATE WATER COMPANY  
BAYPOINT

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
<u>Operating Revenues</u>	5,686.5	5,817.4	131.0	2.30%
Operating Expenses:				
Operation & Maintenance	2,335.3	2,396.1	60.7	2.60%
Administrative & General	323.6	332.0	8.4	2.60%
Payroll	340.8	347.3	6.5	1.90%
G. O. Prorated Exp.	648.9	665.8	16.9	2.60%
Dep'n & Amortization	641.6	658.3	16.7	2.60%
Taxes other than income	211.2	216.6	5.5	2.60%
State Corp. Franchise Tax	80.9	82.3	1.4	1.79%
Federal Income Tax	303.2	308.3	5.2	1.70%
Total Operating Expense	4,885.5	5,006.7	121.3	2.48%
Net Operating Revenue	801.0	810.7	9.7	1.22%
Rate Base	8,999.8	9,109.1	109.4	1.22%
Return on Rate Base	8.90%	8.90%	0.0	0.00%

REVISED 2/27/2012

TABLE 10-1 EREVISED  
GOLDEN STATE WATER COMPANY  
CLEARLAKE

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	2,118.2	2,165.3	47.1	2.22%
<u>Operating Expenses:</u>				
Operation & Maintenance	312.6	320.8	8.1	2.60%
Administrative & General	242.5	248.8	6.3	2.60%
Payroll	366.0	373.0	7.0	1.90%
G. O. Prorated Exp.	217.5	223.2	5.7	2.60%
Dep'n & Amortization	243.2	249.5	6.3	2.60%
Taxes other than income	72.0	73.9	1.9	2.60%
State Corp. Franchise Tax	43.7	44.8	1.0	2.40%
Federal Income Tax	164.0	167.8	3.8	2.31%
Total Operating Expense	1,661.6	1,701.7	40.1	2.41%
Net Operating Revenue	456.5	463.6	7.0	1.54%
Rate Base	5,129.7	5,208.8	79.1	1.54%
Return on Rate Base	8.90%	8.90%	(0.0)	0.00%

REVISED 2/27/2012

TABLE 10-1 REVISED  
GOLDEN STATE WATER COMPANY  
LOS OSOS

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	3,828.9	3,886.3	57.4	1.50%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,074.9	1,102.8	27.9	2.60%
Administrative & General	269.2	276.2	7.0	2.60%
Payroll	368.1	375.1	7.0	1.90%
G. O. Prorated Exp.	393.0	403.2	10.2	2.60%
Dep'n & Amortization	543.1	557.2	14.1	2.60%
Taxes other than income	128.5	131.8	3.3	2.60%
State Corp. Franchise Tax	68.4	67.4	(1.1)	-1.58%
Federal Income Tax	234.8	231.2	(3.5)	-1.51%
Total Operating Expense	3,080.0	3,145.0	65.0	2.11%
Net Operating Revenue	748.9	741.3	(7.6)	-1.01%
Rate Base	8,414.2	8,329.0	(85.2)	-1.01%
Return on Rate Base	8.90%	8.90%	0.0	0.00%

REVISED 2/27/2012

TABLE 10-1 REVISED  
GOLDEN STATE WATER COMPANY  
OJAI

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	5,711.6	5,807.9	96.3	1.69%
<u>Operating Expenses:</u>				
Operation & Maintenance	1,360.2	1,395.6	35.4	2.60%
Administrative & General	332.8	341.5	8.7	2.60%
Payroll	483.8	493.0	9.2	1.90%
G. O. Prorated Exp.	494.8	507.7	12.9	2.60%
Dep'n & Amortization	819.4	840.7	21.3	2.60%
Taxes other than income	220.3	226.0	5.7	2.60%
State Corp. Franchise Tax	127.4	127.6	0.3	0.22%
Federal Income Tax	435.2	436.1	0.9	0.22%
Total Operating Expense	4,273.9	4,368.2	94.3	2.21%
Net Operating Revenue	1,437.7	1,439.7	1.9	0.14%
Rate Base	16,154.2	16,176.1	21.9	0.14%
Return on Rate Base	8.90%	8.90%	0.0	0.00%

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TABLE 10-1 REVISED

GOLDEN STATE WATER COMPANY  
SANTA MARIA

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	10,276.7	10,744.2	467.5	4.55%
<u>Operating Expenses:</u>				
Operation & Maintenance	2,616.4	2,684.4	68.0	2.60%
Administrative & General	633.2	649.6	16.5	2.60%
Payroll	794.2	809.3	15.1	1.90%
G. O. Prorated Exp.	1,704.0	1,748.3	44.3	2.60%
Dep'n & Amortization	1,182.4	1,213.1	30.7	2.60%
Taxes other than income	243.1	249.4	6.3	2.60%
State Corp. Franchise Tax	210.7	236.1	25.3	12.02%
Federal Income Tax	726.9	810.3	83.4	11.48%
Total Operating Expense	8,110.9	8,400.6	289.7	3.57%
Net Operating Revenue	2,165.9	2,343.6	177.8	8.21%
Rate Base	24,335.6	26,333.1	1,997.5	8.21%
Return on Rate Base	8.90%	8.90%	0.0	0.00%

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TABLE 10-1 REVISED  
GOLDEN STATE WATER COMPANY  
SIMI VALLEY

SUMMARY OF EARNINGS

2ND ESCALATION YEAR

Item	DRA 2014	DRA 2015	Increase Amount	%
(Thousands of \$)				
Operating Revenues	13,194.1	13,456.9	262.8	1.99%
<u>Operating Expenses:</u>				
Operation & Maintenance	8,344.2	8,561.1	216.9	2.60%
Administrative & General	353.5	362.7	9.2	2.60%
Payroll	476.7	485.8	9.1	1.90%
G. O. Prorated Exp.	1,854.8	1,903.0	48.2	2.60%
Dep'n & Amortization	624.5	640.7	16.2	2.60%
Taxes other than income	338.6	347.4	8.8	2.60%
State Corp. Franchise Tax	97.4	93.4	(4.0)	-4.15%
Federal Income Tax	343.2	328.8	(14.4)	-4.20%
Total Operating Expense	12,432.9	12,722.9	290.0	2.33%
Net Operating Revenue	761.2	734.0	(27.2)	-3.58%
Rate Base	8,553.1	8,247.2	(305.9)	-3.58%
Return on Rate Base	8.90%	8.90%	0.0	0.00%

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## **APPENDIX A**

**TABLES ADDRESSING ALJ SCOPING MEMO**

**ITEM 16 – PREPARED TESTIMONY**

**REVISED**  
**Table 1 - Arden Cordova**  
**2013 Test Year Estimates**  
**(Source: DRA RO Table 1-2 )**

**Arden Cordova CSA, Region 1**

Scoping memo items:		16a, 16c			16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	14,602.8	18,043.7	3,440.9	DRA-3	9-1, chapter 1	Patrick Hoglund	Back yard mains: Chasella Way, (Dolcetto to Aramon), Dawes Street, (Dolcetto to Malaga), Brenda Way, (Dawes to Chase), contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, new business, utility plant out of service for more than 9 months, and working cash
2	Operating revenues	11,217.7	12,887.3	1,669.6	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	GO prorated expenses	2,897.5	3,412.7	515.2	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
4	O&M expenses	2,196.9	2,480.1	283.2	DRA-2 DRA-8	3-1, chapter1 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, uncollectible rate, chemicals, AVLS fees, conservation expenses <del>and costs removed from capital budgets</del>
5	Federal income tax	477.7	759.0	281.3	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
6	State corp franchise tax	149.8	296.0	146.2	DRA-4	6-2, chapter2	Nickolay Kotyrlo	Domestic Production Activities Deduction
7	Payroll	867.5	910.0	42.5	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized
8	Depreciation	1,977.2	2,015.6	38.4	DRA-3	8-1, chapter1	Patrick Hoglund	Utility plant additions
9	A&G expenses	751.5	787.5	36.0	DRA-5	4-1, chapter 1	Josefina Montero	Customer growth factor, office supplies, injuries and damages, pensions and benefits, outside services, and miscellaneous
10	Taxes other than income	600.0	620.3	20.3	DRA-4	5-1, chapter1	Nickolay Kotyrlo	Payroll and utility plants

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**Table 2 - Bay Point  
2013 Test Year Estimates  
(Source: DRA RO Table 1-2 )**

**Bay Point CSA, Region 1**

Scoping memo items:		16a, 16c			16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	8,890.4	14,136.2	5,245.8	DRA-3	9-1, chapter 1	Patrick Hoglund	Remove abandoned Hill Street Treatment facility, pipeline projects on Manor Drive, Mary Ann Lane and <u>Ambrose Ave</u> , contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, new business and working cash
2	Operating revenues	5,403.0	6,651.2	1,248.2	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	Federal income tax	199.7	476.5	276.8	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Domestic Production Activities Deduction
4	GO prorated expenses	632.3	744.7	112.4	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
5	State corp franchise tax	56.8	145.8	89.0	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
6	Depreciation	626.3	705.9	79.6	DRA-3	8-1, chapter 1	Patrick Hoglund	Utility plant additions
7	O&M expenses	2,381.8	2,423.1	41.3	DRA-2 DRA-8	3-1, chapter 2 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, uncollectible rate, AVLS fees, and costs removed from capital budgets and conservation expenses
8	Taxes other than income	204.7	233.4	28.7	DRA-4	5-1, chapter 1	Nickolay Kotyrlo	Payroll and utility plants
9	Payroll	334.0	343.3	9.3	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
10	A&G expenses	313.0	320.3	7.3	DRA-5	4-1, chapter 2	Josefina Montero	Customer growth factor, injuries and damages, pensions and benefits, outside services, and miscellaneous

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**Table 3- Clearlake  
2013 Test Year Estimates  
(Source: DRA RO Table 1-2 )**

**Clearlake CSA, Region 1**

	Scoping memo items	16a, 16c			16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	5,050.7	5,211.5	160.8	DRA-3	9-1, chapter 3	Patrick Hoglund	<u>Pipeline projects on Manakee Ave and Park Terrace</u> , contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, new business, and working cash
2	Operating revenues	2,074.0	2,216.1	142.1	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings <u>table 1-2</u>
3	O&M expenses	303.7	343.7	40.0	DRA-2 DRA-8	3-1, chapter 3 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, AVLS fees and conservation expenses
4	GO prorated expenses	212.6	249.9	37.3	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
5	Payroll	358.8	379.2	20.4	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
6	Federal income tax	163.3	178.8	15.5	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
7	State corp franchise tax	43.2	53.1	9.9	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	<u>Domestic Production Activities Deduction</u>
8	A&G expenses	234.3	237.6	3.3	DRA-5	4-1, chapter 3	Josefina Montero	Customer growth factor, injuries and damages, pensions and benefits, outside services and miscellaneous
9	Depreciation	238.2	239.2	1.0	DRA-3	8-1, chapter 3	Patrick Hoglund	Utility plant additions
10	Taxes other than income	70.4	70.7	0.3	DRA-4	5-1, chapter1	Nickolay Kotyrlo	Payroll and utility plants

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**REVISED**  
**Table 4- Los Osos**  
**2013 Test Year Estimates**  
**(Source: DRA RO Table 1-2 )**

**Los Osos CSA, Region 1**

Scoping memo items 16a, 16c					16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	8,499.4	11,979.3	3,479.9	DRA-3	9-1, chapter 4	Patrick Hoglund	Enda well, pipeline project on Broderson Aveue, <u>Hacienda Ave and Rosina Ave</u> , contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, new business, utility plant out of service for more than 9 months, and working cash
2	Operating revenues	3,757.0	4,519.2	762.2	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	Federal income tax	234.7	437.4	202.7	DRA-4	6-2, chapter 2	Nickolay Kotyrla	Domestic Production Activities Deduction
4	Payroll	360.8	424.6	63.8	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
5	GO prorated expenses	382.4	446.0	63.6	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
6	State corp franchise tax	68.8	119.7	50.9	DRA-4	6-2, chapter 2	Nickolay Kotyrla	Previous year state tax
7	Depreciation	526.5	572.2	45.7	DRA-3	8-1, chapter 4	Patrick Hoglund	Utility plant additions
8	O&M expenses	1,041.7	1,053.4	11.7	DRA-2 DRA-8	3-1, chapter 1 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, AVLS fees and conservation expenses
9	A&G expenses	260.4	267.5	7.1	DRA-5	4-1, chapter 1	Josefina Montero	Customer growth factor, office supplies, injuries and damages, pensions and benefits, outside services, miscellaneous and other maintenance of general plant
10	Taxes other than income	125.3	132.3	7.0	DRA-4	5-1, chapter 1	Nickolay Kotyrla	Payroll and utility plants

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**Table 5- Ojai Errata**  
**2013 Test Year Estimates**  
**(Source: DRA RO Table 1-2 )**

**Ojai CSA, Region 1**

Scoping memo items		16a, 16c			16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	16,132.3	18,146.9	2,014.6	DRA-3	9-1, chapter 5	Patrick Hoglund	Remove Valley View project, San Antonio and Mutual Plant fence project, pipeline projects on Verano drive, Libbey avenue, Ojai avenue, <u>El Toro road and Grand avenue</u> , contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, and working cash
2	Operating revenues	5,637.8	6,171.9	534.1	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	Federal income tax	435.1	575.7	140.6	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Domestic Production Activities Deduction
4	GO prorated expenses	481.8	561.7	79.9	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
5	State corp franchise tax	127.1	168.5	41.4	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
6	O&M expenses	1,337.7	1,368.7	31.0	DRA-2 DRA-8	3-1, chapter 5 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, AVLS fees and conservation expenses
7	Payroll	474.3	503.3	29.0	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
8	A&G expenses	321.7	334.4	12.7	DRA-5	4-1, chapter 5	Josefina Montero	Customer growth factor, office supplies, pensions and benefits, miscellaneous, other maintenance of general plant and rent
9	Depreciation	808.5	821.1	12.6	DRA-3	8-1, chapter 5	Patrick Hoglund	Utility plant additions
10	Taxes other than income	215.8	223.4	7.6	DRA-4	5-1, chapter 1	Nickolay Kotyrlo	Payroll and utility plants

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**Table 6 - Santa Maria  
2013 Test Year Estimates  
(Source: DRA RO Table 1-2 )**

**Santa Maria CSA, Region 1**

Scoping memo items 16a, 16c					16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	22,338.1	25,324.0	2,985.9	DRA-3	9-1, chapter 6	Patrick Hoglund	Remove costs for destroying Lake Marie well #3, Evergreen wells #1 and 2, Vista wells #3 and 4 to expenses, <u>Pipeline projects on Marvin Street and Flower Street</u> , Bradley Road, contingency rate, new business, blanket budget escation, SCADA, miscellaneous street improvements, new business, utility plant out of service for more than 9 months and working cash
2	Operating revenues	9,822.8	10,886.3	1,063.5	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	GO prorated expenses	1,661.1	1,934.3	273.2	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
4	Federal income tax	673.7	909.3	235.6	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Domestic Production Activities Deduction
5	State corp franchise tax	195.1	291.2	96.1	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
6	Payroll	778.6	860.9	82.3	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
7	O&M expenses	2,551.7	2,632.0	80.3	DRA-2 DRA-8	3-1, chapter 6 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, uncollectible rate, AVLS fees, conservation expenses <del>and costs removed from capital budgets</del>
8	Depreciation	1,127.6	1,142.3	14.7	DRA-3	8-1, chapter 6	Patrick Hoglund	Utility plant additions
9	A&G expenses	611.9	625.6	13.7	DRA-5	4-1, chapter 6	Josefina Montero	Customer growth factor, office supplies, injuries and damages, pensions and benefits and other maintenance of general plant
10	Taxes other than income	235.0	236.9	1.9	DRA-4	5-1, chapter 1	Nickolay Kotyrlo	Payroll and utility plants

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**REVISED**  
**Table 7- Simi Valley**  
**2013 Test Year Estimates**  
**(Source: DRA RO Table 1-2 )**

**Simi Valley CSA, Region 1**

Scoping memo items		16a, 16c			16d, 16e			16b
		DRA	GSWC	Difference	DRA exhibit	DRA table and chapter number	DRA witness	Differences due to DRA adjustments/disallowances in:
		(thousands of \$)						
1	Rate base	8,859.0	12,170.5	3,311.5	DRA-3	9-1, chapter 7	Patrick Hoglund	Alamo Street, Cochran Street and ELA Avenue pipeline, contingency rate, new business, blanket budget escalation, SCADA, miscellaneous street improvements, new business, utility plant out of service for more than 9 months and working cash
2	Operating revenues	13,144.0	14,174.5	1,030.5	DRA-1	1-2, chapter 1	Yoke Chan	Calculated in summary of earnings table 1-2
3	GO prorated expenses	1,807.3	2,103.0	295.7	DRA-16	1 to 15, chapters 3, 4, 5	Donna Ramas Mark Dady	Cost allocations, GO expenses and capital expenditures for (1) Corporate support, (2) Centralized operations support, and (3) Billing and payment processing
4	Federal income tax	359.4	561.7	202.3	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Domestic Production Activities Deduction
5	State corp franchise tax	99.9	198.6	98.7	DRA-4	6-2, chapter 2	Nickolay Kotyrlo	Previous year state tax
6	O&M expenses	8,328.7	8,402.0	73.3	DRA-2 DRA-8	3-1, chapter 7 B-1, chapter 1	Jose Cabrera Maria Worster	Customer growth factor, uncollectible rate, AVLS fees, and conservation expenses
7	Payroll	467.3	488.0	20.7	DRA-6	1-1, chapter 1	Richard Rauschmeier	Stand by pay, merit pay increase, overtime, expensed vs capitalized payroll, and customer growth factor
8	Taxes other than income	335.4	351.8	16.4	DRA-4	5-1, chapter 1	Nickolay Kotyrlo	Payroll and utility plants
9	A&G expenses	342.1	358.4	16.3	DRA-5	4-1, chapter 7	Josefina Montero	Customer growth factor, office supplies, injuries and damages, pensions and benefits, outside services, miscellaneous, other maintenance of general plant and rent
10	Depreciation	615.3	628.0	12.7	DRA-3	8-1, chapter 7	Patrick Hoglund	Utility plant additions

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## **APPENDIX B**

### **QUALIFICATIONS AND PREPARED TESTIMONY**

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
YOKE CHAN**

Q.1. Please state your name, business address, and position with the California Public Utilities Commission (Commission).

A1. My name is Yoke W. Chan and my business address is 505 Van Ness Avenue, San Francisco, California. I am a Senior Utilities Engineer in the Water Branch of the Division of Ratepayer Advocates.

Q2. Please summarize your education background.

A2. I graduated from the University of California at Los Angeles, with a Bachelor of Science Degree in Civil Engineering. I am a registered civil engineer in the State of California.

Q3. Briefly describe your professional experience.

A3. I have been employed by the Commission for many years and have testified and worked on many general rate case proceedings, offset rate cases, transfer and compliance matters of Class A water utilities. I have also worked on ECAC proceedings for the energy utilities.

Q4. What is your responsibility in this proceeding?

A4. I am the Project Manager for Region I in this proceeding and responsible for this testimony.

Q5. Does this conclude your prepared direct testimony?

A5. Yes, it does.